(ii) Bh. Rs 4·95 lakhs has been added on to the Debenture Loan Sinking Fund so that the fund balance may be raised to Bh. Rs 14·49 lakhs which is the aggregate amount of the loan raised in connection with the construction of the Railway from Quilon to Trivandrum. This will enable the Government to discharge the debt in full immediately, instead of waiting till 1941, provided the investors are prepared to surrender the securities to Government and receive payment at par.

(iii) The balance of Bh. Rs 59·48 lakhs has been set apart to form a General Reserve Fund to be drawn upon, in case of absolute necessity, for financing the Pallivasal Hydro-Electric Scheme.

There is thus no necessity to make any further payments towards the sinking funds and the interest on the investments has accordingly been credited to Government under Interest instead of to Sinking funds as hitherto.

(2) The total outlay on the Trivandrum Electric and Telephone Scheme to the end of 1108 amounted to Rs 7·93 lakhs. This scheme is now yielding a reasonable return on the capital invested after meeting the usual depreciation charges. It is expected that the Quilon Electric Scheme and the Pallivasal Hydro-Electric Scheme would also be paying concerns. In these circumstances, Government have decided to treat the expenditure on these schemes as investments on reproductive works.

REVISED ESTIMATES FOR 1109.

3. The budget estimates for the current year were for a total revenue of Rs 230·04 lakhs and provided for a programme of expenditure of Rs 229·21 lakhs, leaving a nominal surplus of Rs ·83 of a lakh. But, on the basis of the actuals so far known, the revenue is expected to stand at Rs 232·66 lakhs and the expenditure charged to revenue, at Rs 237·77 lakhs. The current year is thus expected to close with a deficit of Rs 5·11 lakhs. The ordinary revenue for the year is expected to be better than the original anticipations by Rs 2·62 lakhs. This is the net result of increase in revenue to the extent of Rs 9·52 lakhs expected under some of the revenue heads and decreases amounting to Rs 6·90 lakhs under others. The increase in revenue is mainly under Land Revenue (·45), Salt (1·20), Interest (4·15), Buildings, Communications and Miscellaneous Public Improvements (1·57) and Railways (·55). Under Land Revenue, the increase is mainly under arrears. The receipts under Ayacut revenue are expected to be less than the budget by Rs 3·30 lakhs, due mainly to the general remission of land tax to the extent of 12½ per cent. for the current year on all wet lands in the State and partly to less collections. The increase

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under Salt is expected mainly under Recoveries on account of charges incurred in the sale of salt. The interest realised on the Sinking Fund investments is, as already explained, now credited to Government under 'Interest' instead of to Sinking Funds. This accounts for the increase under Interest. The increase under Buildings, Communications and Miscellaneous Public Improvements is due partly to the fact that the receipts on account of subventions from the Central Road Development Account of the Government of India amounted to Rs 1·46 lakhs as against Rs 1 lakh only anticipated in the budget. It is also due to the adjustment of the difference of previous years under Workshop suspense by credit to this head. Under Railways, the increase of Rs ·55 of a lakh is due to the fact that the working of the Railway from Shencottah to Trivandrum for the year ended March 1934 resulted in a net profit of Rs ·05 of a lakh as against a net loss of Rs ·5 of a lakh anticipated in the budget.

Decreases are expected mainly under Excise (·56), Customs (2·00), Stamps (1·75) and Registration (·68). The decrease under Excise is chiefly under Abkari and Opium—License fee and duty on country liquor, etc. counterbalanced by an increase of Rs ·60 of a lakh under duty on tobacco. Customs revenue is expected to be less than the budget by Rs 2 lakhs, due to the fact that the net receipts from the Cochin Harbour Scheme amounted only to Rs 9·09 lakhs as against the budgeted receipt of Rs 14 lakhs. Leaving aside the large decrease under this special item, the ordinary customs revenue is expected to be better than the budget anticipation by Rs 2·90 lakhs, the increase being due mainly to larger exports of copra, cocoanuts, coir, cocoanut oil and pepper. The export of dry ginger and tea has, however, declined. The decrease of Rs 1·75 lakhs under Stamps and of Rs ·68 of a lakh under Registration is due to the prevailing economic depression.

4. On the expenditure side, a net increase of Rs 8·56 lakhs is expected. The items which contribute to the increase are Buildings, Communications and Miscellaneous Public Improvements (4·84), Panivagai (4·04), Miscellaneous Political Expenditure (3·14), Palace (1·35) and Superannuation Allowances and Pensions (·75). The increase under Buildings, Communications, etc. is due to the provision of additional funds during the year for urgent works, especially under Communications. Under Panivagai, the increase is on account of additional works in the Kowdiyar Palace and the provision of funds therefor. The increase under Miscellaneous Political Expenditure is due to the Visit of His Excellency the Viceroy. The expenditure in connection with the Pallikettu of Her Highness the First Princess accounts for the increase under

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Palace. Under Superannuation Allowances and Pensions, the expected increase is on account of increase in the retirement list. The anchorage at the Quilon Port had not been surveyed since 1883 and consequently the present soundings on the chart are not correctly verified. Arrangements were therefore made with the Marine Department of the Government of India for a resurvey of the Port. This accounts for an increase of Rs ·30 of a lakh under Ports.

The forest areas between Pallivasal and Neriamangalam having become accessible with the opening of the Neriamangalam-Pallivasal road, an investigation survey was conducted recently by one of the experienced officers of the Forest Department to ascertain the extent of eatta growth by the side of the road. As a result, it has been found that eatta or reeds could easily be extracted from an area of about 28 square miles of forest land and that on a three years' rotation, the annual cut would be approximately 28,000 tons of air-dry eatta which according to Dr. Witz's data is expected to yield about 12,000 tons of pulp every year. The economic significance of this lies in the possibility of using this pulp to run a paper mill in the vicinity, either at Alwaye or at Tattakkad. When the Pallivasal Hydro-Electric Scheme is completed, electrical energy will become easily available and in fact the sub-stations at Kotamangalam (near Tattakkad) and Alwaye have been so designed as to provide the necessary facilities for the supply of power for industrial purposes at these places. The existence of a railway station at Alwaye, the proximity of the Cochin Harbour, the availability of cheap labour, an abundant supply of fresh water at all times of the year both at Tattakkad and Alwaye, are all important factors in the consideration of this question. Further developments in the matter are engaging the attention of Government.

Savings in expenditure to the extent of Rs 6·60 lakhs are also expected, of which Rs 1·87 lakhs is under payments towards Sinking Funds, Rs ·73 of a lakh under His Highness the Maha Raja's Tours outside the State and Rs ·88 of a lakh under Education. As explained already, there is no necessity for further investments in the Railway Sinking Fund and a portion of the accumulated balance under this Fund has been utilised for bringing up the Debenture Loan Sinking Fund to its full requirements. This accounts for the savings under payments towards Sinking Funds. As there was no tour of His Highness the Maha Raja outside the State this year, the allotment provided for the purpose is expected to lapse. The expenditure of Rs ·27 of a lakh in the revised estimate is the amount drawn during the current year in connection with His

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Highness' tour to Europe last year. Under Education, the expected saving is mainly under Grants-in-aid and under Collegiate Education.

5. On the Capital side, the receipts from the sale of Government lands are expected to be only Rs ·70 of a lakh against the budgeted receipt of Rs 1 lakh, while the capital expenditure stands revised at (—) Rs 3·60 lakhs, due to the fact that the expenditure incurred on the Electric and Telephone schemes to the end of last year has been transferred to Debt Heads by deduction from this head, as these works are to be accounted for under investments on reproductive works. The Government Account balance at the close of the current year is thus expected to stand at Rs 118·93 lakhs.

BUDGET ESTIMATES FOR 1110.

6. I shall now pass on to the budget of the coming year. The economic depression which has been correctly described as unprecedented alike in its extent, its duration and its intensity still persists. Commodity prices, subject to minor recoveries, *i. e.*, in tea and rubber, still remain low. The present economic situation has been taken into consideration, to the extent possible, in framing the next year's estimates of receipts and expenditure.

The revenue is estimated at Rs 232·93 lakhs and an expenditure of Rs 230·33 lakhs has been provided for, thus leaving a surplus of Rs 2·60 lakhs. Sale of Government lands is expected to bring in Rs 1 lakh and our programme of Capital expenditure is estimated at Rs 5·39 lakhs. We shall thus be drawing from our accumulated surplus Rs 1·79 lakhs for our Capital undertakings.

REVENUE.

7. The estimates under all the important heads of revenue are based mainly on the revised estimates for the current year. The revenue budgeted for the next year is Rs 232·93 lakhs as against the current year's revised estimate of Rs 232·66 lakhs. While improvement in revenue to the extent of Rs 3·07 lakhs is anticipated under some of the major heads especially Customs, decreases amounting to Rs 2·80 lakhs are anticipated under others.

Customs.—The levy of an Excise duty on matches, which was one of the measures of taxation contemplated for the purpose of balancing the budget under the Federation, has now been given effect to in advance by the Government of India. This Government, along with the other Indian States, have agreed to levy a corresponding duty on matches manufactured in the State and to pay the proceeds thereof into a common pool, along with the proceeds of the British Indian duty for ultimate distribution between British India and the Indian States on the basis of population. Recently,

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